ALASKA ENERGY AND ENGINEERING, INC.
PELICAN BFU
6-12-08 TRIP REPORT

TO: Mr. David Lockard, AEA/AIDEA Rural Energy Group

FROM: John Dickerson, Alaska Energy & Engineering, Inc.

DATE: June 27, 2008

SUBJECT: Pelican BFU Project Substantial Completion Inspection Report

On June 12, 2008 I traveled to Tenakee Springs with David Lockard of AEA/REG and Brian Aklin of CE2 to perform a substantial completion inspection of the Pelican BFU project.

The installation of the new tank farm and fuel handling facilities were mostly complete at the time of this inspection. However, the new electrical distribution to the tank farm area had not yet been completed and therefore the new tank farm electrical service was not yet energized. Also, no fuel had as yet been transferred to the new bulk tanks. Therefore it was not possible to perform a final inspection of the facility. Electrical service must be provided to the tank farm prior to a final inspection and before the following proposed plan for switching over to the new facility can occur.

In order to provide additional temporary fuel storage capacity the community has decided to keep the old tank farm in service until the hydroelectric project is complete (scheduled completion is summer 2010). This is due to two main concerns: 1) extra #2 diesel storage will be required when it becomes necessary to run the community and seafood plant on diesel power for an extended period due to a planned hydroelectric generation outage and; 2) scheduled fuel barge deliveries to southeast communities have become less frequent because one of the three working fuel barges was recently taken out of service. The current plan is to keep the old marine header in service to continue to service the old tank farm during this period. The location of the old marine header on the fuel dock makes it impossible to complete the installation of the new marine header or to access it with the barge fill hoses. An alternate plan would be to temporarily connect the old #1 and #2 diesel pipelines to the new pipelines at the 2" flanged connections provided for the new truck fill facility. These connections are currently unused because the truck fill facility hose stands are connected to the old pipelines. This temporary 2" cross connection would allow the old pipelines to be demolished downstream from this point to the old marine header. This would also allow for the demolition of the old marine fueling equipment on the fuel dock. At this point the normal operation for all diesel transfers and gasoline dispensing would be from the new facility unless a #2 diesel shortage was experienced. At that time the temporary cross connections could be opened for diesel transfers from the old tank farm.

It has recently come to our attention that modifications to the fill piping on the power plant and Pelican Seafoods intermediate tanks are necessary to allow for required calibration of the meters by the State of Alaska Weights and Measures Division personnel. See line item 5 below.

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Following are lists of some observed specific tasks and corrective actions that need to be completed for the BFU project:

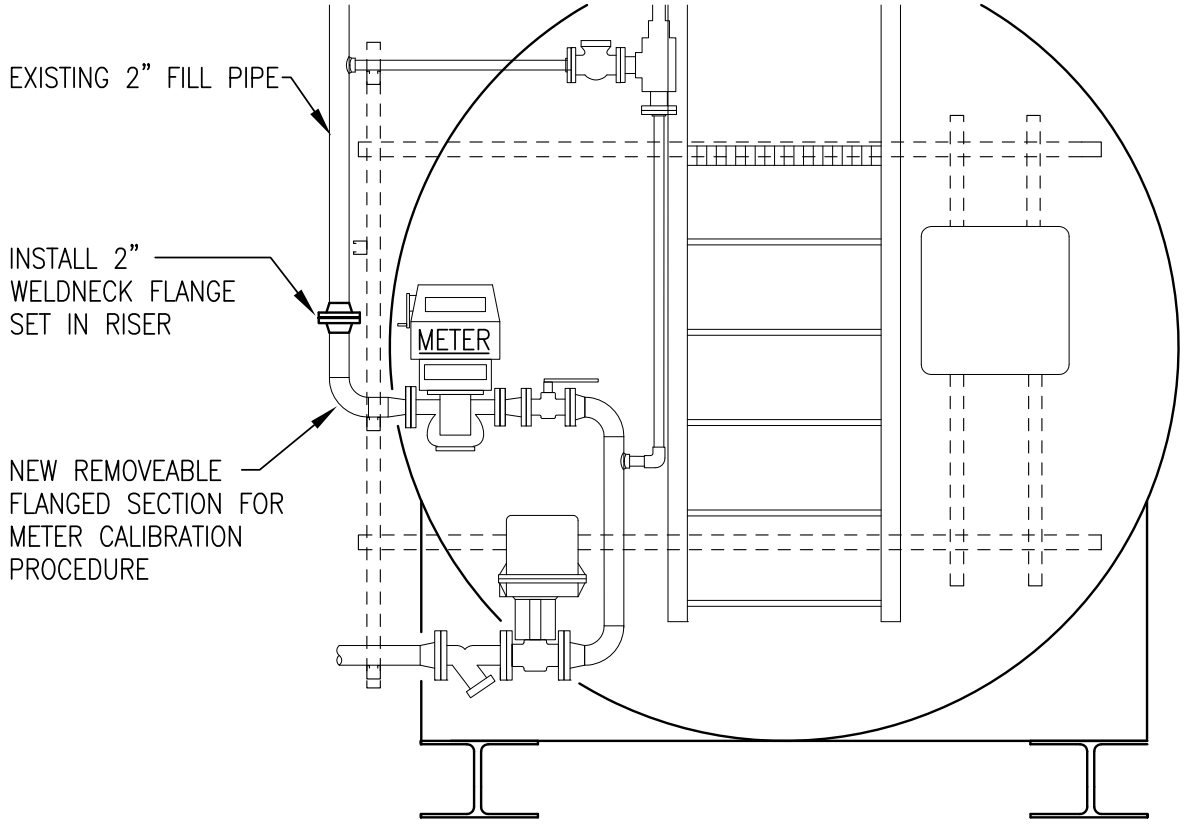
1. Complete the installation of electrical service to the tank farm.
2. Transfer fuel to the new bulk tanks, 24" deep minimum to ensure adequate fuel coverage of submersible pumps.
3. Complete the installation of the new marine header including check valves and required spill basin per detail 3/M13.
4. Complete the installation of all valve, equipment and switch tags per drawings.
5. Make piping modifications at intermediate tanks and provide hose connection fittings for calibration procedure as shown on attached Drawing M1 after demolition of old marine header.
6. Finish grading the area in front of the tank farm. Provide a slight swale between the road and the tank farm to divert any potential spill from flowing directly down the hill.
7. Pull fence fabric down or raise grade with gravel to close gap below fence fabric along back side of tank farm.
8. Install keyed-alike padlocks on all valves.
9. Replace ¾" drain valves at truck fill and marine fueling facilities with lockable drain valves and install threaded plugs in open end of all drain valves.
10. Finish painting pipe at truck fill hose stand.
11. Confirm that all conduit seal-offs are poured.
12. Place portable drive-through spill containment dike near truck fill facility.
13. Replace above grade portion of copper tubing furnace supply & return lines at school tank with stainless steel tubing and fittings. Make connection to existing copper tubing in existing buried wooden chase adjacent to new tank.

In general the project looks good and appears to conform to the design with agreed upon design changes. If you have any questions please call me at 336-8031.

Sincerely,

Alaska Energy & Engineering, Inc.

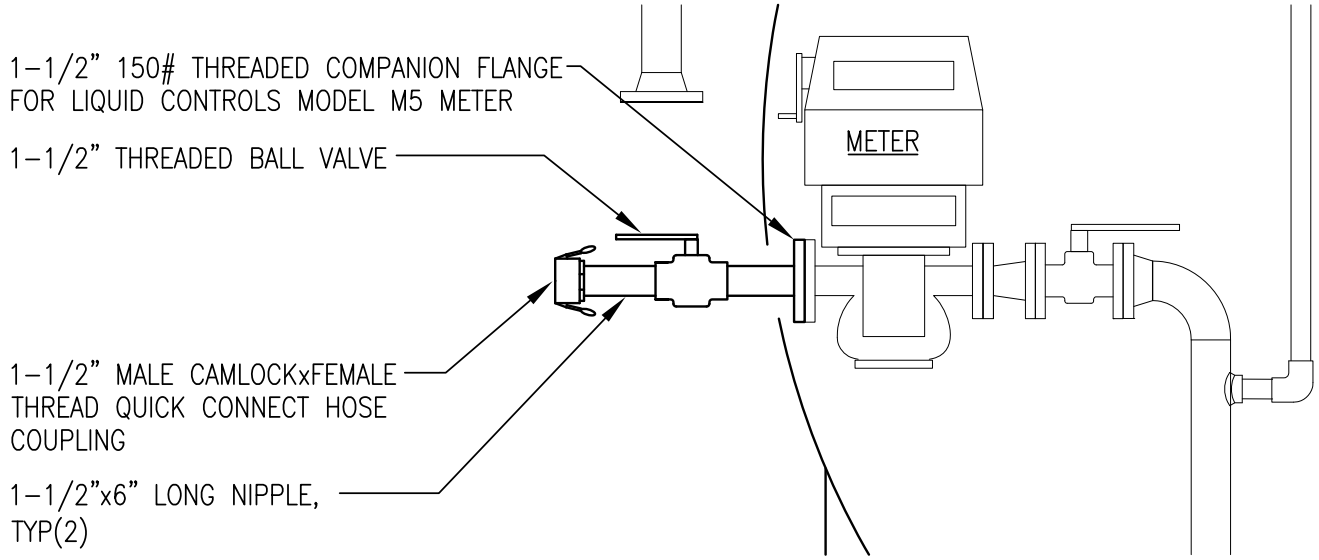
John Dickerson
Project Engineer



NOTE:
INSTALL DRAIN VALVE AND FLANGE SET AS INDICATED TO PROVIDE REMOVABLE PIPE SECTION. REMOVE METER PRIOR TO WELDING TO AVOID DAMAGE FROM HEAT.

1 / M1 TANK #5 & #6 PIPING MODIFICATION

1"=2'



NOTES:
PROVIDE FOUR SPARE 2" SPIRAL WOUND METALLIC GASKETS AND FOUR SPARE 2" COMPANION FLANGE O-RINGS FOR REASSEMBLY OF PIPING.

2 / M1 TANK #5 & #6 CALIBRATION HOSE CONNECTION

1"=1'

PROJECT: PELICAN BULK FUEL UPGRADE	DRAWN BY: JTD	SCALE: AS NOTED	State of Alaska Department of Community and Economic Development AIDEA/AEA Rural Energy Group 813 West Northern Lights Blvd. Anchorage, Alaska 99503 ALASKA ENERGY AUTHORITY
	DESIGNED BY:	DATE: 6/27/08	
TITLE: INTERMEDIATE TANKS #5 & #6 PIPING MODS FOR CALIBRATION PROCEDURE	FILE NAME METER CAL	SHEET M1 OF 1	